

Message Text

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PAGE 01 BRUSSE 01596 01 OF 02 270502Z POSS DUPE
ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 OMB-01
CIAE-00 DODE-00 PM-05 H-01 INR-07 L-03 NSAE-00
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 ACDA-12
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R 261902Z JAN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 4508
INFO AMEMBASSY COPENHAGEN
AMEMBASSY LONDON
AMEMBASSY OSLO
AMEMBASSY THE HAGUE
HQUSAF WASHDC
AFPROGDC FT WORTH TX
AFCMD KIRTLAND AFB NM

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 01596

E.O. 11652: GDS
TAGS: EIND, ETRD, EAIR, BE, US, BEXP, EINV
SUBJECT: FAIREY AIRCRAFT AND F-16: UPDATE

REF: 77 BRUSSELS 17586 AND PREVIOUS

1. BEGIN SUMMARY: COUNCIL OF MINISTERS JANUARY 20
REJECTED PROPOSED PLAN TO CONVERT FAIREY INTO NEW JOINT
GOVERNMENT/PRIVATE COMPANY. PLAN REJECTED BECAUSE OF
INSUFFICIENT PRIVATE CAPITAL PARTICIPATION, AND GOVERNMENT
CONCERNS OVER LOSS OF JOBS AS RESULT OF TERMINATION OF
FAIREY CIVIL OPERATIONS. ULTIMATE INTENTIONS OF DASSAULT
SUBSIDIARY IN EVENTUAL NEW FAIREY OPERATION ALSO APPARENTLY
SOURCE OF CONCERN FOR GOB. STATE SECRETARY ROBERT URBAIN,
KEY GOB OFFICIAL IN FAIREY SALVAGE EFFORTS, WILL VISIT
US DURING SECOND HALF OF FEBRUARY TO DISCUSS PARTICIPATION
BY US AIRCRAFT FIRMS (POSSIBLY BEECHCRAFT AND LTV) IN
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PAGE 02 BRUSSE 01596 01 OF 02 270502Z POSS DUPE

FAIREY CIVIL AIRCRAFT PRODUCTION. ALTHOUGH FAIREY FATE
STILL UP IN AIR, FIRM'S PERFORMANCE ON F-16 PRODUCTION
SCHEDULE IS SATISFACTORY. BARRING UNFORESEEN MISHAPS,
EMBASSY BELIEVES F-16 SCHEDULE SHOULD NOT BE ADVERSELY
AFFECTED AS GOB CONTINUES SEARCH FOR SOLUTION TO FAIREY
PROBLEM. END SUMMARY.

2. COUNCIL OF MINISTERS REVIEWED FAIREY SITUATION JANUARY 20. WHILE APPROVING PRINCIPLE OF FORMING A MIXED GOVERNMENT/PRIVATE FIRM TO REPLACE EXISTING FAIREY OPERATIONS UNDER CONCORDAT REGIME, COUNCIL REFUSED TO APPROVE SPECIFIC PLAN PRESENTED TO IT BY WALLOON REGIONAL AFFAIRS STATE SECRETARY URBAIN, FOR REASONS DISCUSSED BELOW.

3. ESSENTIALS OF URBAIN PLAN CALLED FOR FORMATION OF MIXED SOCIETY TO TAKE OVER MILITARY AVIATION ACTIVITIES (E.G., F-16 SUBASSEMBLIES) OF FAIREY. THREE BELGIAN FIRMS--SABCA (51 PERCENT SUBSIDIARY OF DASSAULT/BREGUET), FN HERSTAL, AND SIAT ELECTRONICS--WOULD CONTRIBUTE TOTAL OF 50 MILLION BF CAPITAL WITH BELGIAN GOVERNMENT THROUGH NATIONAL INVESTMENT COMPANY (SNI) PUTTING UP ADDITIONAL 150 MILLION BF FOR TOTAL CAPITALIZATION OF 200 MILLION BF. URBAIN PROPOSAL WOULD ALSO HAVE ABANDONED FAIREY CIVIL AIRCRAFT OPERATIONS, WITH LOSS OF APPROXIMATELY 600 JOBS IN ECONOMICALLY-DEPRESSED CHARLEROI AREA.

4. COUNCIL OF MINISTERS TOLD URBAIN TO GET PRIVATE PARTNERS TO INCREASE THEIR CAPITAL OUTLAYS AND TO LOOK HARDER FOR ADDITIONAL PARTNERS. COUNCIL'S ACTIONS APPEAR MOTIVATED BY BELIEF THAT PROPOSED CAPITALIZATION OF A RESURRECTED FAIREY OPERATION FAR TOO SMALL TO SUSTAIN OPERATIONS, AND MORE IMPORTANTLY, BY ITS RELUCTANCE TO CONFIDENTIAL

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PAGE 03 BRUSSE 01596 01 OF 02 270502Z POSS DUPE

ABANDON CIVIL SIDE OF OPERATION WITH CONSEQUENT LOSS OF JOBS. OPPOSITION TO URBAIN PLAN FROM LABOR UNIONS AND CHARLEROI AREA PARLIAMENTARY REPRESENTATIVES APPEARS TO HAVE IMPORTANT ROLE IN PERSUADING GOVERNMENT TO DEFER DECISION. URBAIN, INCIDENTALLY, PLANS TO VISIT US IN SECOND HALF OF FEBRUARY, AND ONE OF HIS MAJOR GOALS WILL BE TO SEEK OUT US FIRMS WITH POSSIBLE INTEREST IN FAIREY PARTICIPATION. BEECHCRAFT AND LING-TEMCO-VOUGHT (LTV) HAVE BEEN MENTIONED BY PRESS AS FIRMS URBAIN MAY BE SEEING DURING HIS TRIP.

5. ALTHOUGH NOT STATED BALDLY, ONE REASON BEYOND ADDITIONAL CAPITALIZATION WHY GOVERNMENT IS SEEKING ADDITIONAL PRIVATE PARTNERS APPEARS TO BE MISGIVINGS OVER POTENTIAL INFLUENCE THAT DASSAULT/BREGUET INTERESTS MAY EXERT THROUGH THEIR SABCA SUBSIDIARY WHEN BELGIUM (AS WELL AS HOLLAND, DENMARK AND NORWAY) DECIDE ON REPLACEMENT AIRCRAFT FOR EXISTING MIRAGE F-1 AND NORTHROP F-5 AIRCRAFT IN EARLY 1980'S. MID-LEVEL GENERAL DYNAMICS REPRESENTATIVE TOLD EMBASSY RECENTLY THAT GD BELIEVES DASSAULT WILL PLAY DOMINANT ROLE IN NEW FAIREY OPERATION AND WILL USE PARTICIPATION IN FAIREY SALVAGE

OPERATION AS A LEVER TO PRESS FOR "EUROPEAN" SOLUTION
(E.G., MIRAGE 2000) WHEN GOB DECIDES ON AIRCRAFT
REPLACEMENT IN 1980.

6. ALTHOUGH FATE OF FAIREY STILL UP IN THE AIR, FIRM
HAS MADE SIGNIFICANT PROGRESS IN MEETING ITS COMMITMENTS
ON F-16 PRODUCTION. BOTH GD AND F-16 CASEUR HAVE TOLD
EMBASSY THEY ARE REASONABLY SATISFIED WITH RECENT FAIREY
PERFORMANCE IN THIS RESPECT.

7. COMMENT: GENERAL DYNAMICS EXPRESSION OF CONCERN OVER
DASSAULT SHOULD BE TAKEN LIGHTLY AT THIS POINT. GD

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PAGE 01 BRUSSE 01596 02 OF 02 270502Z POSS DUPE
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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 01596

REFUSED OPPORTUNITY TO PARTICIPATE IN FAIREY SALVAGE
OPERATION WHEN ASKED SEVERAL MONTHS AGO BY GOVERNMENT
AND HAS NOT REVERSED THIS DECISION, DESPITE WHATEVER
FEARS IT MAY HAVE OF POTENTIAL DASSAULT ADVANTAGE GOING
INTO NEXT ROUND OF AIRCRAFT REPLACEMENT BATTLE,
BEGINNING IN EARLY 1980. UNTIL GD--THE PARTY MOST
DIRECTLY INVOLVED--BACKS UP ITS CONCERN WITH ACTION, THE
EMBASSY CAN ONLY BELIEVE THAT THESE FEARS ARE
EXAGGERATED.

8. CONSIDERABLE MANPOWER AND INGENUITY WILL BE EXPENDED

IN COMING MONTHS TO RESOLVE THE FAIREY PROBLEM TO THE
RELATIVE SATISFACTION OF ALL PARTICIPANTS, AND IN
PARTICULAR, THE LABOR UNIONS. EMBASSY IS CONFIDENT--
BARRING UNFORESEEN MISHAPS--THAT F-16 PRODUCTION SCHEDULES
WILL NOT BE ADVERSELY AFFECTED IN A MAJOR WAY WHILE GOB
ATTEMPTS TO RESTORE A VIABLE CORPORATE STRUCTURE FOR
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PAGE 02 BRUSSE 01596 02 OF 02 270502Z POSS DUPE

FAIREY. OLSEN

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